



California Debt and Investment Advisory Commission

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Good Disclosure: It's in the Process – An Investor's Perspective

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Attention Grabbing Headlines About Municipal Bonds

A Path is Sought for States to Escape Their Debt Burdens

New York Times, January 20, 2011

Muni Bonds Will Fall 15%-20%

CNBC.com, March 9, 2011

Muni Bond Default Estimate: \$100 Billion

Wall Street Journal, March 2, 2011

Meredith Whitney Sees "Spate" of Municipal Bond Defaults Coming

Gurufocus.com, December 21, 2010

Potential For Municipal Bond Defaults Rattles the Muni-Bond Market

Moneymorning.com, January 8, 2011

Fear of Defaults Putting Pressure on Municipal Bonds

Chicago Tribune, December 29, 2010

Weak Muni Bond Disclosure Hides Real Problems

Wall Street Journal, January 26, 2011



Good Disclosure – What's in it For Me?

- Allows investors to make informed decisions
- May improve primary issue pricing
- Market no longer homogeneous with loss of AAA bond insurers
- Non-traditional buyers seek more timely and complete disclosure
- Legal ramifications of poor disclosure – potential loss of market access



What is Good Disclosure?

- National Federation of Municipal Analyst (nfma.org) recommended best practices for disclosure
- Timely, relevant, and thorough information
- Investors should receive same information as rating agencies
- More than an audit and material event notices
- Contact person for investor questions/annual conference calls



Variable Rate Debt

New Areas in Disclosure

Variable rate debt disclosure should include the following;

- List of variable rate bond series with par amounts
- List of liquidity/credit providers for each series of variable rate bonds
- Expiration dates of each liquidity/credit facility
- List of bank bonds with banks identified



Interest Rate Swap New Areas in Disclosure

Interest rate swap disclosure should include the following;

- Identify bond series hedged with swaps, notional amounts, and interest rates paid/interest rates received
- Identify swap counterparties with ratings
- Collateral posting and termination triggers (i.e., minimum ratings)
- Most recent value of the swaps by series and in the aggregate

New Areas in Disclosure

Pension disclosure should include the following;

- For self sponsored plans - projected pension assets over the next 30 years based on:
 - most recent market value of assets
 - projected investment returns
 - projected employee/employer contributions
 - projected benefit payments
- For multi-employer plans – projected contributions over next 10 years
- Pension contributions paid from general fund and special funds

American Century Investments

- **Performance focus for 50+ years**
- **Pure play business model**
- **Privately controlled and independent**
- **Profits with a purpose**



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